



KENTUCKY RETIREMENT SYSTEMS

FOR IMMEDIATE RELEASE

KRS Addresses Questions from House Meeting on Retirement Investments

FRANKFORT, KY. (Aug. 30, 2016) – Kentucky lawmakers met in an informal session today to discuss investment issues with the Kentucky Retirements Systems (KRS) as well as the Kentucky Teachers' Retirement System. Several issues were raised and statements made that KRS believes need clarifying.

The Kentucky Retirement Systems (KRS) Investment Committee made a decision to invest with Prisma Capital Partners in August 2011. The Investment Committee in 2011 was comprised of Tommy Elliott, Jennifer Elliott, Chris Tobe, Vince Lang, and Tim Longmeyer.

The decision to form a strategic partnership with KKR Prisma was initially approved in May of 2015 on a trial basis and made permanent in February 2016.

The decision to increase the target allocation to KKR Prisma was made in May of 2016 as part of a fee savings initiative in response to the CEM Fee study KRS did in 2015.

Regarding new board member William Cook, he has not yet attended any KRS meetings nor has he participated in any investment decisions. In an interview with the Lexington Herald-Leader, Mr. Cook stated he would "abstain from any action related to Prisma because he still has financial holdings in the company," according to the story. Mr. Cook retired from Prisma in March 2015.

KRS has a well thought out Securities Litigation policy and, when appropriate, will engage the Office of the Attorney General for assistance. That was evidenced by KRS working with former Attorney General Jack Conway on a recovery associated with Bank of America-issued Mortgage Backed Securities.

There was much discussion in the Kentucky House Chambers regarding the use of hedge funds by KRS as an investment strategy. Some questioned the wisdom of this citing one-year's performance. However, it should be noted that the most commonly used definitions of Investment Risk (volatility and drawdown risk) hedge funds are much less risky than the S&P 500.

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